UNITED
NATIONS

DP

Executive Board of
the United Nations
Development Programme
and of the United Nations
Population Fund

Distr.
GENERAL

DP/CCF/STP/1
26 June 1997
ENGLISH
ORIGINAL: FRENCH

Second regular session 1997
15-19 September 1997, New York
Item 6 of the provisional agenda
UNDP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR SAO TOME AND PRINCIPE (1997-2001)

CONTENTS

	Paragraphs	Page
INTRODUCTION	1	2
I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	2 - 18	2
II. RESULTS AND LESSONS OF PAST COOPERATION	19 - 23	5
III. PROPOSED STRATEGY AND THEMATIC AREAS	24 - 36	6
A. Poverty reduction	27 - 30	7
B. Strengthening national development management and governance capacities	31 - 36	8
IV. MANAGEMENT ARRANGEMENTS	37 - 42	9
Annex. Resource mobilization target table for Sao Tome and Principe (1997-2001)		11

97-17671 (E)

READEX Best copy available

INTRODUCTION

1. This draft country cooperation framework (CCF) has been prepared by the Government of the Democratic Republic of Sao Tome and Principe in consultation with the United Nations Development Programme (UNDP) on the basis of the Advisory Note approved by UNDP headquarters and transmitted to the country office on 31 January 1997. It covers a five-year period (1997-2001) so as to coincide with the programme cycles of the other United Nations agencies represented in Sao Tome and Principe.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Sao Tome and Principe is one of the least developed countries. In 1995 its per capita gross domestic product (GDP) was estimated at $319. According to the 1996 Human Development Report, its human development indicator was 0.458 and it ranked in 132nd place. In studies made by UNDP, it was estimated that in 1994 40 per cent of the population lived below the poverty line and 33 per cent in extreme poverty. It is officially estimated that 28 per cent of the population is unemployed. Women are affected disproportionately: 44.9 per cent of the total active female population has yet to obtain a first job and families headed by women constitute 85.1 per cent of the households without income. The same disparity is to be found in the unemployment statistics: although women represent 50.4 per cent of the economically active population, they represent only 33.2 per cent of the employed population and twice as many of them are in the low-income categories as men.

3. The Government has made poverty reduction its first priority. The effort involves a number of closely linked aspects: rural development, the development of the private sector and the encouragement of investment, job creation, access to credit and the integration of women into development, increased participation by civil society and the improvement of basic social services.

4. In order to encourage private initiative and create jobs, emphasis has been placed on the privatization of public enterprises, encouragement of foreign and domestic investment and the creation of micro-, small- and medium-scale enterprises employing simple technologies and exploiting national resources. It must nevertheless be noted that the national private sector remains embryonic, among other reasons because of the absence of a favourable legal and institutional environment and a stimulatory credit policy.

5. The integration of women into development became a national concern following the Cairo and Beijing Conferences, whose preparation and follow-up stimulated a dynamic process of association and reflection which led to the organization of a National Forum of Women of Sao Tome and Principe and the preparation of a national platform. It must, however, be noted that, although Sao Tome and Principe ratified the Convention on the Rights of the Child in 1991, it has not yet ratified the Convention on the Elimination of All Forms of Discrimination against Women.

6. The population grew from 96,111 in 1981 to 117,500 in 1991, the date of the last census, which represents an average annual rate of increase of 2.5 per cent. The total fertility rate is 5.9 children per woman. The proportion of children below the age of 15 was 46.9 per cent in 1991. The rural exodus, which began with independence, has accelerated, but 55.3 per cent of the population still lives in rural areas. Women represented 50.6 per cent of the population in 1991, as compared with 50.3 per cent in 1981, although in 1970 the male to female ratio was still 103.7.

7. Population growth and the industrial and agricultural activities of the population put heavy pressure on the environment. The predominance of cocoa (50 per cent of cultivated land) impoverishes the soil. The rapid expansion of food crops is carried out at the expense of the forests, which are burned, and whose deterioration is aggravated by the intensive use of wood for housing construction and domestic energy. Water resources, which are theoretically adequate in a country with heavy rainfall, are polluted by human and agricultural wastes.

8. The Government, alerted and supported by its national and international partners, has begun to take concerted action to protect the country's present and future natural resources, including the drafting of environmental legislation and the preparation of a National Environmental Plan for Sustainable Development with the support of the UNDP Capacity 21 programme. On the other hand, the Rio Conventions have not yet been ratified, so that the country is still ineligible for Global Environment Facility (GEF) financing.

9. Since the end of the 1980s the quality of basic social services has declined, because of the combined effects of demographic growth, the rapid deterioration of infrastructures owing to the lack of attention and resources needed for their maintenance, the loss of motivation of staff and the low proportion of the country's budget allocated to the social sectors.

10. Health indicators are better than the average in sub-Saharan Africa, but they are beginning to deteriorate. This alarming trend is due to the resurgence of malaria, which is the leading cause of death for children below the age of five. In general, the health sector is badly organized. There is no sectoral policy or planning in terms of needs and resources, and the field services, especially in the most distant districts, are inadequate. To remedy this situation, the Government, with the support of its main partners, has begun to carry out pilot projects within the framework of the Bamako Initiative.

11. In the case of education, overall indicators are relatively good from the quantitative point of view, with a literacy rate of 74.9 per cent for men and 67.5 per cent for women. The quality of education leaves something to be desired, however, especially as primary school children receive only three hours of schooling a day because of the lack of classrooms, which makes a triple-shift system necessary. The Government and its partners have placed emphasis on a programme of school construction and renovation and on the training of teachers. A teacher-training school has been established and solutions are being sought to the problem of low salaries.

12. The civil service now numbers 3,777 officials (about 10 per cent of the economically active population) whose monthly salaries range from the equivalent of $14 for a senior technician to $59 for a minister. Administrative reform is among the top priorities of the Government, and is an integral part of the adjustment programme. With the support of UNDP, a considerable amount of work has already been done with respect to legislation, organization, management and training. The actual implementation of the reform should begin towards the end of the first half of 1997, with the help of UNDP and the World Bank.

13. At the political level, the inauguration of the democratic system after the adoption of the new Constitution of 1990 made possible the appearance of several parties, and democratic alternation in power has been in full effect since then. However, as the inauguration of democracy coincided with the worsening of the economic and social crisis, the population has become increasingly frustrated, and a certain nostalgia for the pre-democratic past and a strong regime has begun to appear.

14. Civil society and an associational movement are emerging, particularly among small farming and fishing communities joined together in associations or cooperatives. The associational activities are still embryonic in most communities, but they are being encouraged by both the authorities and the country's development partners.

15. Sao Tome and Principe inherited from the colonial period an economy based on the monoculture of cocoa and heavily dependent on the course of world market prices. As its productive base lacks diversity, the country remains dependent on imports for foodstuffs, consumer goods and energy, which has led to a growing disequilibrium in its balance of trade. In 1987, because the budget deficit and the disequilibrium in the balance of payments had become unmanageable, it embarked on a structural adjustment programme with the support of the World Bank, the African Development Bank and its chief bilateral partners (France and Portugal).

16. Thus far, the results have been limited. The disequilibrium in the balance of trade and services persists. The financial market remains very fragile, because of its thinness, its marginality, the lack of domestic savings and the galloping devaluation of the national currency.

17. The country is very heavily dependent on foreign aid. Of the $23.3 million budgeted for the Public Investment Programme (PIP) in 1995, 17.1 comes from extrabudgetary sources, including 15.4 million in external financing (8 million in gifts, 7.4 million in loans). The public debt has become unmanageable, the ratio of debt service to exports of goods and services is 110.3 per cent. At the end of 1996, outstanding debt amounted to $295 million, more than five times the GNP. Of this debt, 55.6 per cent was owed to multilateral institutions, primarily the African Development Bank (ADB) and the International Development Association (IDA). Bilateral debt was mainly to Angola and Portugal and, to a lesser extent, France.

18. 1997 will be a particularly difficult year, as the country must begin to repay numerous debts to international financial institutions. It could be eligible for aid under the assistance to heavily indebted poor countries

initiative, provided there is a clear improvement in its macro-economic performance.

II. RESULTS AND LESSONS OF PAST COOPERATION

19. In spite of the considerable resources provided by international cooperation, the impact of the development programmes and projects has in general been disappointing. This failure can be attributed to a number of causes:

(a) a very severe colonial legacy which has marked the collective psyche and left a deep residue of resignation and passivity;

(b) the development programmes were externally initiated, without sufficient national involvement;

(c) the development programmes were overambitious; they did not take sufficient account of the level of national capacities and were not sufficiently concerned with transferring skills;

(d) the political instability of recent years has resulted in frequent changes of government, national counterparts and programmes, and a trend towards the politicization of senior official posts;

(e) the lack of coordination between donors and between different government departments;

(f) development policies neglected basic development on a scale appropriate to the country's dimensions and did not draw sufficiently on the participation, work and ideas of the aid recipients;

(g) the macro-economic reforms were introduced too hastily, without giving leaders and the population time to understand the need for them, assimilate them and absorb their impact.

20. The UNDP cooperation programme for the fifth cycle has given emphasis to poverty reduction through rural development, the strengthening of development management capacities, support for national execution and environmental protection.

21. There have been considerable delays in the implementation of the poverty reduction programme, because of problems of coordination with other donors, and it did not become fully operational until 1995, with dynamic and organized national direction which was gradually able to instil team spirit and synergy between the programme's various components. Effective coordination has been established between the partners. The activities will be continued during the next cycle, and special attention will be given to women and to the actual participation of beneficiaries in the work of infrastructural rehabilitation or construction and maintenance.

22. The implementation of the programme of strengthening development management capacities was delayed and impeded by the difficulty of finding national leadership and qualified and motivated counterparts. To overcome this difficulty, the Government has made efforts to redeploy qualified staff into the services concerned, and the project has helped motivate national staff by the use of incentives. Special attention will be given to training in the next programme.

23. UNDP, in partnership with the World Bank, has contributed significantly to the strengthening of a national capacity for long-term strategic planning, within the framework of the National Long-Term Perspective Study (NLTPS). The support given to national execution by UNDP has also had a very significant impact, and has made possible an improvement in the quality of the cooperation between the Government, the project teams and UNDP and strong involvement by nationals in the execution of the technical cooperation programmes.

III. PROPOSED STRATEGY AND THEMATIC AREAS

24. The overall strategy for UNDP cooperation is based on two criteria:

(a) conformity with national development priorities;

(b) conformity with the priorities established by the Governing Council, including the promotion of sustainable human development (SHD) and emphasis on poverty reduction and good governance.

The lessons learned from development cooperation also emphasize the need to adopt a participatory approach, internalized by the main development actors. This is how the paradigm of sustainable human development will be integrated into the country's development strategy.

25. UNDP strategy will be characterized by:

(a) the programme approach: as part of the preparation of the round-table conference, UNDP will support the preparation of two large-scale national programmes: poverty reduction and the strengthening of national development management and governance capacities;

(b) leveraging: UNDP funds will serve as a point of anchorage for the contributions of other partners to integrated national programmes;

(c) comparative advantage: within the framework of poverty reduction UNDP will focus its action on the strengthening of income-generating activities, the integration and training of recipients, particularly women, and will make use of associations and grass-roots groups for the execution of its programmes. In cooperation with other partners, UNDP will play a strategic role in strengthening development management capacities.

(d) promotion of SHD: UNDP will introduce the SHD dimension into the preparation of sectoral strategies and the global strategy to be submitted to the round-table conference;

(e) coordination of aid. Sao Tome has adopted the round-table mechanism. Unlike the round tables of 1989 and 1992, which were prepared essentially by external consultants, the next round table will be prepared by national teams, guided by a focal point in the Ministry of Finance and Planning, in close consultation with the Ministry of Cooperation. The donors will be involved in this process so as to give them greater responsibility and maintain and strengthen concerted action;

(f) resource mobilization. Steps have already been initiated to mobilize resources for poverty reduction, environmental management and civil service reform.

26. The UNDP programme for the next two years will have two main focuses:

(a) poverty reduction;

(b) the strengthening of national capacities for development management and governance.

About 55 per cent of total resources will be allocated to the first programme and 45 per cent to the second.

A. Poverty reduction

27. During the next cycle, the poverty reduction programme, which began as a pilot operation centred on five localities of the roca d'Agua Ize region, will be extended to other areas and to urban zones, and will focus more specifically on women by means of integration/training, the granting of micro-loans and support for the establishment of micro-enterprises. Its goals will be the following:

(a) to achieve self-reliance in food supply;

(b) to increase the income of the population;

(c) to create jobs in the rural, urban and semi-urban zones;

(d) to improve the health and living conditions of the population;

(e) to develop independent community management structures.

28. Special attention will be paid to women within the framework of the programme. Firstly, activities must be carried out directly with and on behalf of women so that they become aware of their own potential. In tandem with direct interventions on behalf of women, UNDP and UNFPA will support the Government in setting up institutional machinery for the coordination and implementation of activities on behalf of women at the levels of both government and civil society.

29. The participative and associational approach will be strengthened, so as to lead recipients to take responsibility for themselves. The ultimate aim is to

gradually end dependence on donors, which might otherwise take the place of dependence on the welfare state.

30. Four activities are planned within the framework of this programme:

(a) poverty reduction through rural development (in progress), with the support of the United Nations Capital Development Fund (UNCDF), FAO, ILO, UNIDO, the World Food Programme (WFP) and UNICEF;

(b) support for the improvement of urban women's living conditions, with the support of the Caisse française de developpement (CFD), the United Nations Fund for Population Activities (UNFPA), and possibly the African Development Bank (ADB) and UNCDF;

(c) support of small- and medium-scale enterprises and encouragement of the private sector, with the help of the CFD and possibly the ADB;

(d) support for the integration of women into development, in which UNDP will supplement the primary intervention by UNFPA.

B. Strengthening national development management and governance capacities

31. The goals of the programme, as set out in the preparatory assistance document, are as follows:

(a) to endow the country with a civil service capable of managing development;

(b) to create a national strategic planning capability;

(c) to strengthen national capacities for macro-economic management;

(d) to strengthen national capacities for the management of technical cooperation and aid coordination programmes and projects;

(e) to improve the legislative and institutional environment for the promotion of investment and the private sector.

32. Reform of the civil service is the precondition for improvement of national development management capacities. The second phase of administrative reform will make it possible to restructure the civil service and to establish a salary scale based on qualifications and merit, to put into practice modern methods of human and material resource management, to develop a culture of service and communication between the administration and the administered and to involve civil society more fully in the functioning of institutions.

33. The National Long-Term Perspective Study (NLTPS) launched in 1996 is based on a national structure for reflection and agreement which will be called on to guide other strategic planning exercises. The studies and analyses produced by the NLTPS team will be used by decision-makers to design sectoral strategies

which will be validated by national workshops. Synergy will be developed between the NLTPS and other planning exercises in progress, including the preparation of a national plan of action for the environment and sustainable development.

34. The institutional support of the Ministry of Planning and Finance begun during the current cycle will be continued in strategic areas: national statistics and accounting, tax reform and debt management (with the technical support of the United Nations Conference on Trade and Development (UNCTAD). Special attention will be paid to following up the SYDONIA project with the goal of increasing customs receipts, reducing fraud and rehabilitating public finances.

35. Aid coordination is a field in which UNDP, because of its neutrality, enjoys a comparative advantage, and in which the Government and donors expect it to act as a facilitator. The data base established with UNDP support will enable the Government to obtain an overall view of technical cooperation. Preparation of the round table will provide an occasion for establishing a national guidance committee bringing together the various ministerial services concerned and representatives of the private sector and civil society, which will also be responsible for following up the round table.

36. The private sector will be called on to play an increasingly important part in the country's development. It will be necessary to adapt the legislative and institutional framework in order to facilitate national and foreign private investment. The work initiated with UNCTAD on legislation relating to special regimes will be continued and extended to the entire investment regime. A special effort will be made to promote the image of Sao Tome and Principe as a hospitable country for foreign enterprises, particularly in the tourist sector.

IV. MANAGEMENT ARRANGEMENTS

37. National execution, which has been gradually adopted during the current cycle, will remain the preferred modality for programme execution, and will be extended to other United Nations programmes. Stress will be laid on the training of officials of the technical ministries and the establishment of a breeding ground of national competence.

38. To the extent that development programmes are increasingly assimilated by nationals, external technical assistance will be resorted to only for specific cases, and always as a complement to national expertise. A dialogue will be maintained with the Government in order to better adapt the United Nations Volunteers (UNV) programme to the Sao Tome context by making increased use of South-South cooperation.

39. The community associations, grass-roots groups and non-governmental organizations will be increasingly involved in programme design, implementation and follow-up, and the creation of networks within civil society around the guiding themes of SHD (environmental management, the integration of women into development) will be increasingly encouraged.

40. By its support of national execution, UNDP will strengthen the Government's capacity for supervising, assessing and producing reports on the technical cooperation programmes. To facilitate follow-up and evaluation of the programme, the UNDP office will prepare a running triennial plan of activities for the use of central and additional resources, which will be adjusted annually in line with the degree of completion of the activities.

41. As regards the UNDP programme, the strategy of resource mobilization launched during the current cycle will be continued and extended to other potential partners, including:

(a) the World Bank, for reform of the civil service (goal: $300,000);

(b) the Management Development and Governance Division/Bureau for Policy and Programme Support (MDGD/BPPS), for reform of the civil service ($75,000);

(c) the ADB ($300,000) and the CFD ($400,000) for pilot programmes of poverty reduction and support for urban women;

(d) the UNCDF, to extend the poverty reduction programme from rural to urban areas (goal: $500,000, in addition to the resources already allocated to the programme in the preceding cycle);

(e) Capacity 21, the European Union and the GEF, for environmental protection ($300,000, $450,000 and $250,000 respectively).

42. For the 1997-2001 programme period, the overall resource mobilization goal is $4.4 million: $1.9 million from core funds allocated for the 1997-1999 period and $2.5 million from additional resources anticipated for the 1997-2001 period. The TRAC funds will be provisionally distributed as follows: $1 million for poverty reduction, $0.8 million for support of development management and governance and $100,000 as reserves. SPPD/STS funds are estimated at $168,000.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR SAO TOME AND PRINCIPE (1997-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	2	Estimated
TRAC 1.1.1	1 897	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	110	
Subtotal	2 009 a/	
OTHER UNDP FUNDS		
Government cost-sharing World Bank African Development Bank	600 of which: 300 300	
Sustainable development funds Capacity 21 GEF European Union	1 000 of which: 300 250 450	
Third-party cost-sharing		
Funds, trust funds and other	500	UNCDF, in addition to the amount already allocated for poverty reduction, most of which will be disbursed during this period.
Subtotal	2 100	
GRAND TOTAL	4 109 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TCDC = technical cooperation among developing countries; TRAC = target for resource assignment from the core; UNCDF = United Nations Capital Development Fund.